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If it takes two years, it takes two years, but I'm pretty optimistic. This is the time to really go at it.

James P. Murphy of the New York State Bankers Association on the banks' push for insurance powers. [Page 1]

Unquote

Bank Groups in Crucial States To Renew Push on Insurance

By PHILIP T. SUDO

NEW YORK — If at first — make that second — you don't succeed . . .

"You just keep plugging away and keep coming at it," said Philip S. Corwin, senior federal legislative counsel for the American Bankers Association. "Sometimes you're going to win."

And so it is with dogged determination that banking groups in several key states say they will redouble their efforts for insurance powers in the coming legislative session. After years of getting nowhere, the state associations in New York, California, Illinois, Pennsylvania, and Florida have once again put underwriting and selling insurance at the top of their legislative agendas.

The focus has shifted to the states because on the federal level, the fight is dead — for now. The Treasury Department recently indicated it was abandoning five years of trying to get banks into insurance and real estate in order to concentrate on securities powers.

"We're basically in a defensive mode for this Congress," Mr. Corwin said.

On the state level, though, bankers may have reason to hope. Oregon

Bank Groups: Page 31

American Banker

THIRD ANNUAL CASH MANAGEMENT SURVEY

Top Concern: Profitability of Services

By YVETTE D. KANTROW

Last of Three Parts

Profitability once again is the most important issue facing bankers who sell cash management services, according to an *American Banker* survey.

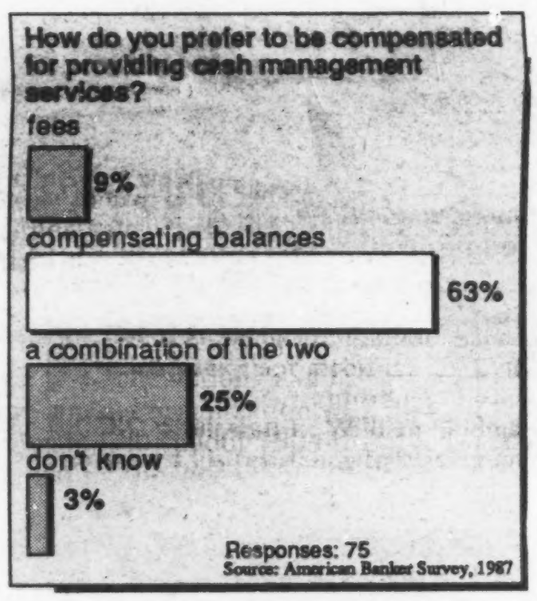
As in previous surveys, profitability was ranked by most respondents ahead of such other concerns as payment-system risk and electronic data interchange.

Some bankers expressed particularly strong opinions on this topic.

"Bank profitability — not product development — derived from the sale and delivery of cash management services, will continue to be the most important issue," wrote one northeastern banker.

"The vast majority of service providers — banks — are still fairly timid about charging fairly for what they do," he said. This will be the case until

Profitability: Page 19



Full Survey Results on Page 18

Citibank to Cut 1,000 Positions In NY Branches

1988 Restructuring Plan Will Not Close Offices

By JED HOROWITZ

NEW YORK — Citibank will eliminate about 1,000 jobs from its New York City branch system, about 10% of the bank's retail work force in the region, as part of a reorganization to be phased in by the end of 1988.

The cuts are a by-product of a plan to revise a 10-year-old branch system put in place by Citicorp chairman John S. Reed when he headed Citibank's retail sector. But unlike several major New York banks that recently announced retail staff reductions, Citicorp will not close any of its 253 Citibank branches in New York, said Susan Weeks, a bank spokeswoman.

Analysts applauded the Citicorp move while marveling at the numbers.

"It's sort of mind-blowing that they can take 1,000 jobs out of pure overhead just in the New York branch system," said Lawrence Cohn, a senior banking analyst with Merrill Lynch Capital Markets. "It obviously says there was room for tightening up."

Citibank's payroll includes 10,000 branch employees in New York City, Long Island, and Westchester County. Ms. Weeks estimated that about 300 jobs will be lost through attrition. The layoffs will range from vice presidents to assistant managers but will not include clerical staff, she added. The nation's largest banking organization will attempt to find jobs for about 700 other workers within the company, she said, but is making no guarantees.

The retail banking sector — dubbed the "individual bank" in Citicorp jargon — will restructure in New York along functional lines. Currently, New York City is divided into four regions

Citibank: Page 30

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MARKETING MANAGEMENT

Existing Customers Are 'Money in the Bank'

By LEONARD L. BERRY

FINANCIAL INSTITUTIONS can increase market share three ways. One way is to attract more new customers, another is to do more business with existing customers, and a third is to reduce the loss of customers.

The smart marketer pursues all three avenues aggressively. Attracting new customers is merely an intermediate step in the marketing cycle. The real challenge is to create true customers. An institution's true customers are those who are glad they have selected the institution, customers who feel they are receiving value and who feel valued. True customers are more satisfied than other customers and, as a result, are more likely to buy additional services from the institution and less likely to leave it for a competitor.

A rising trend in financial services marketing — one that will continue to build for years to come — is existing-customer marketing. Existing customers are, as the saying goes, money in the bank. They are already started with the institution, already familiar with its procedures and special quirks. To the extent that existing customers can be turned into true customers, they represent the very best opportunity to increase market share.

Existing-customer marketing is not a substitute phrase for relationship banking. Relationship banking can be done at various levels and in its purest form is a subset of existing-customer marketing. Pure relationship banking is pursued with carefully selected market segments and built on the foundations of core service packages, account representatives, and relationship pricing. "Client" is the essential watchword. Existing-customer marketing is a broader concept than relationship banking, one that can be applied to all customers. Among its key ideas are the following:

Berry Says:

To the extent that existing customers can be turned into true customers, they represent the very best opportunity to increase market share.

• Woo existing customers as though there were brand new prospects. All customers have had the disappointing experience of being wooed before the sale and then forgotten after they sign on the dotted line. Smart bankers will continue to woo customers after the sale. They will contact customers by telephone or letter soon after a new account is opened or a service purchased to thank them for the business. They will monitor — informally and formally — customer satisfaction levels with the service mix available and the quality of service provided. These bankers also will find ways to stay in touch with customers over time, periodically reselling the benefits of the relationship.

• Treat existing customers as family. They should enjoy the special status of family member. Big institutions will have larger families than smaller institutions, but the principles remain the same: information, communication, and loyalty.

Information about individual customers is needed to serve them as if they are family. Institutions that have not yet built customer information systems that provide relevant information to bankers, where and when they need it, are behind the marketing eight ball and had better get on with the job of eliminating such a serious handicap.

Good communication is also central in family life. Just as savvy retailers alert customers to upcoming sales or hold pre-sales just for them, bankers should send their customers advance notices of grand openings, new service introductions, policy shifts, and other meaningful developments. Bank newsletters, magazines, and seminars also can be used to efficiently convey information to customers, educate them, and in general, make them feel special. The telephone remains a marvelous method of reaching customers to inform them of an important new service tailored to their specific requirements, to tell them that their account is overdrawn but that quick action can avert a service charge, or to simply ask if there is any way the bank can be of additional service.

A third characteristic of strong families is that members stand by one another in times of need. Similarly, existing-customer marketing is bolstered to the extent that a financial institution's people always try to find a way to help customers within the confines of sound banking practice. Banks earn loyalty from customers by being loyal; by insisting on "you win, we win" rather than "you lose, we win" transactions; by helping customers find just the right financial solutions, even if that means not selling the local service; by pulling the plug on delinquent borrowers only after all other options have been tried.

It will always be so: a family's or a bank's long-term success is built on the fundamentals of commitment and integrity.

• Be great at problem resolution. The most important dimension of service quality is reliability, which means keeping the service promise. A reliable bank is one that does for customers what it said directly — or implied — it would do. Accuracy and meeting deadlines are important values in a reliable institution.

Bank managements should strive for totally reliable service. The No. 1 goal should always be zero defects. After all, anything other than zero defects by definition means that some customers are receiving a defective service.

Realistically, some bank customers will receive defective service even in the best managed institutions. Banks are human institutions, and human beings are imperfect. Thus, the No. 2 goal should be to respond to broken service promises — when they arise — with speed, competence, and courtesy. Banks that are great at problem resolution are far more likely to repair the damage done than are institutions that lack a sense of urgency about customer problems.

Coming through for customers when something goes awry can be very impressive because customers are so used to being treated as though they have a disease when they contact a company to get a problem solved. In effect, since customers are used to having problems, solving problems provides a rich opportunity to exceed their expectations.

Being great at problem resolution is simpler in concept than in execution. It requires educating the customer on what to do when a problem occurs. It requires having enough staff to handle the load and having special staff who are talented, resilient, and well trained. It requires pushing authority downward, so the problem can get fixed on the first contact with the customer. Greatness in problem resolution requires that management take the long view toward building a business, rather than the short view of maximizing profits next quarter.

Existing-customer marketing is a formal step. It requires research, creativity, planning, and execution — just as marketing to new customer prospects requires these elements.

Is existing-customer marketing expensive? It depends on one's perspective. If one thinks of marketing as an expense, the answer is yes. If one thinks of marketing as an investment in building tomorrow's business, the answer is no. I particularly like the way Alexander "Sandy" Berry of Signet Banking Corp. in Richmond, Va., answers the question. He states that excellent marketing to existing customers involves "heart, not things." Sandy Berry is a smart banker. He understands the simple essence of existing customer marketing: love your customers and they will love you back. ■

Dr. Berry is Foley's/Federated Professor of Retailing and Marketing Studies at Texas A&M University and director of the Center for Retailing Studies. He is a past president of the American Marketing Association.

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ECONOMIC PERSPECTIVE

Dollar's Drop Has Not Led to Import Decline

By ROBERT J. SAMUELSON

THE RHETORIC AND reality of the U.S. trade deficit are sharply at odds. Listen to the rhetoric, and the United States is slowly becoming an economic has-been.

Slipping technological prowess and a poor work force are making us an oversized Paraguay. Look at the reality, and another story emerges. The trade deficit doesn't reflect lack of competitiveness so much as the huge pulling power of the U.S. market. It's the world's richest, most accessible market: an enormous global bazaar where everyone wants to sell.

If the United States were so uncompetitive, then U.S. exports would be faring poorly in world markets. They aren't. Since late 1985, the volume of U.S. exports has risen by more than 20%. That's impressive, especially because economic growth abroad has been slow. Once the dollar began to depreciate from the extraordinary heights of the early 1980s, U.S. exports responded smartly. But imports are a different matter. The trade deficit persists because, despite the dollar's depreciation since early 1985, imports haven't declined.

Go to a well-stocked toy store, and you can see what's happening. There are jigsaw puzzles from Germany and Britain. The import surge doesn't stem only from foreign companies invading the United States. U.S. companies are also buying and manufacturing products abroad to defend their traditional markets. Fisher Price sells plastic roller skates made in Taiwan. Another U.S. firm offers a 24-piece tool set with tools made in Hong Kong and Poland.

Little wonder that everyone so covets the U.S. market. In 1985, consumer spending was three times higher in the United States than in Japan and 25% higher than in the European Community. Total investment spending was 86% higher in the United States than in Japan and 14% higher than in the European community. The U.S. market is also more open. Europe is a jumble of national markets with separate languages and customs; Japan has a cumbersome and closed distribution system. By contrast, the United States offers a genuine national market with a single language and an efficient distribution system.

The dollar's 60% appreciation between 1980 and 1985 was a competitive windfall for foreign exporters. They could either cut prices or fatten profit margins. They did a bit of both. Economist Richard Baldwin of Columbia University makes an important point: Fatter profit margins enabled many foreign firms to establish a beachhead in the U.S. market. The higher profit margins covered heavy start-up expenses for advertising and distribution networks. Strong U.S. economic growth further expanded the demand for imports.

Half a Theory

But the dollar's subsequent drop isn't quickly reversing the flood of imports, precisely because the U.S. market is so big and important. In theory, a depreciating dollar makes U.S. exports more competitive while imports be-

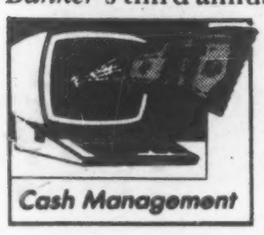
Perspective: Page 5 ➡

Mr. Samuelson also writes a biweekly column for *Newsweek* magazine. His column for the *American Banker* appears every other Wednesday.

TECHNOLOGY TODAY

Bankers Cast Their Votes on Cash Management Issues

Seventy-six of the nation's 100 largest banks responded to the *American Banker*'s third annual cash management survey, which was mailed in September. The tabular results are printed below.


Cash Management

Among the participants were 20 of the largest 25 institutions, based on deposits, and seven of the top 10. The respondents were instructed to include the value of bank-retained float and compensating balances in determining the profitability of services. Percentages do not always add up to 100% because of rounding.

The responses have been listed in several categories: overall (all respondents), top 25 banks, banks ranked 26 to 100, and regionally — Northeast (NE), Southeast (SE), Midwest (MW), and West (W).

Here is how the states are grouped:

Northeast: Connecticut, Massachusetts, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

Southeast: Alabama, Arkansas, Delaware, Florida, Georgia, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia, and Washington, D.C.

Midwest: Iowa, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Nebraska, Ohio, Oklahoma, South Dakota, and Wisconsin.

West: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Nevada, Oregon, Texas, Utah, Washington, and Wyoming. ■

1. For accounting and reporting purposes, how is your cash management department regarded within the bank?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Cost center	48	35	53	42	64	50	33
Profit center	16	40	7	17	5	19	27
"Shadow" profit center	36	25	40	42	32	31	40
Sample	**76**	**20**	**56**	**24**	**21**	**16**	**15**

2. If run as a profit center, is the value of bank-retained float and compensating balances included in the department's profits?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Yes	57	82	41	75	50	57	43
No	43	18	59	25	50	43	57
Sample	**28**	**11**	**17**	**8**	**6**	**7**	**7**

3. Over the past 12 months, have expenditures for cash management sales and marketing at your bank:

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Increased more than 20%	14	5	16	17	14	7	13
Increased from 10% to 20%	32	25	31	26	46	20	20
Increased by up to 9.9%	48	50	50	52	41	67	40
Decreased by up to 10%	3	5	2	0	0	0	13
Decreased more than 10%	3	5	2	0	0	7	7
Don't know	1	10	0	4	0	0	7
Sample	**75**	**20**	**55**	**23**	**22**	**15**	**15**

4. Does your bank's accounting system track the profitability of individual cash management services?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Yes	68	95	59	70	64	75	67
No	32	5	41	30	37	25	33
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

5. Which cash management service had the highest gross profit margin at your bank over the past 12 months?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Account reconciliation	18	25	14	21	13	15	20
Balance reporting	4	10	0	5	0	0	10
Consulting	0	0	0	0	0	0	0
Controlled disbursement	29	30	27	5	33	54	30
Deposit concentration	0	0	0	0	0	0	0
Retail lockbox	2	5	0	0	0	0	10
Wholesale lockbox	5	0	8	11	7	0	0
Treasury workstation	0	0	0	0	0	0	0
Wire transfer	16	10	22	26	20	15	0
Zero-balance account	14	15	14	16	13	8	20
Corporate checking	7	5	8	16	0	0	10
Other	5	0	8	0	13	8	0
Sample	**57**	**20**	**37**	**19**	**13**	**14**	**11**

6. Which service generated the highest net profit over the past 12 months?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
ACH applications	2	5	0	0	0	8	0
Account reconciliation	16	25	10	29	8	0	30
Balance reporting	4	5	3	7	0	0	10
Consulting	0	0	0	0	0	0	0
Controlled disbursement	29	30	28	0	42	46	30
Deposit concentration	0	0	0	0	0	0	0
Retail lockbox	4	5	3	0	8	0	10
Wholesale lockbox	6	5	10	14	0	8	10
Treasury workstation	0	0	0	0	0	0	0
Wire transfer	22	15	28	36	17	31	0
Zero-balance account	4	5	3	7	0	8	0
Corporate checking	8	5	10	7	17	0	10
Other	2	0	3	0	8	0	0
Sample	**49**	**20**	**29**	**14**	**12**	**13**	**10**

7. Did the following services show a net profit in the last 12 months? (Some indicated service not offered.)

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
ACH applications							
Yes	58	53	61	56	57	42	80
No	41	47	39	44	43	59	20
Sample	**52**	**19**	**33**	**16**	**14**	**12**	**10**
Consulting							
Yes	10	11	9	0	23	8	10
No	30	42	22	25	38	33	20
Sample	**51**	**19**	**32**	**16**	**13**	**12**	**10**
Treasury workstation							
Yes	8	11	6	6	8	8	10
No	40	53	31	31	39	33	60
Sample	**51**	**19**	**32**	**16**	**13**	**12**	**10**
Wholesale lockbox							
Yes	88	90	88	81	93	100	80
No	12	11	12	19	7	0	20
Sample	**52**	**19**	**33**	**16**	**14**	**12**	**10**

8. How do you prefer to be compensated for providing cash management services?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Fees	9	15	7	9	0	6	27
Compensating balances	63	70	60	77	59	63	47
A combination of the two	25	15	29	14	36	25	27
Don't know	3	0	4	0	5	6	0
Sample	**75**	**20**	**55**	**22**	**22**	**16**	**15**

9. Does your bank own the computer system that provides balance information to your customers?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Yes	44	75	34	57	36	31	53
No	56	25	66	44	64	69	47
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

10. If it does not, would you consider purchasing such a system over the next two years?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Yes	88	60	92	80	93	91	86
No	7	20	5	0	7	9	14
Not sure	5	20	3	20	0	10	0
Sample	**43**	**5**	**38**	**10**	**15**	**11**	**7**

11. Daylight overdraft caps will force many banks to start charging customers for intraday account overdrafts within two years.

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Agree strongly	5	5	5	9	9	0	0
Agree	39	37	41	39	32	47	47
Disagree	31	20	32	30	37	33	20
Disagree strongly	0	0	0	0	0	0	0
Not sure	24	32	21	22	23	20	33
Sample	**75**	**19**	**56**	**23**	**22**	**15**	**15**

12. Daylight overdraft caps will curb many banks' efforts to aggressively seek new wire transfer customers.

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Agree strongly	1	5	0	0	0	6	0
Agree	24	45	18	35	18	25	20
Disagree	55	30	63	48	59	63	47
Disagree strongly	4	5	4	9	0	0	7
Not sure	16	15	16	9	23	6	27
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

13. In order to operate within their daylight overdraft caps, banks sometimes delay their customers' wire transfers.

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Agree strongly	5	15	2	13	0	6	0
Agree	49	60	46	30	68	63	40
Disagree	27	20	29	35	18	6	47
Disagree strongly	7	0	9	9	5	13	0
Not sure	12	5	14	13	9	13	13
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

14. Banks that clear checks for corporate customers can incur large amounts of deposit float. Reserves have to be set aside and federal deposit insurance fees must be paid for items that have not yet cleared. In the next few years, many banks will start charging corporations for deposit float.

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Agree strongly	16	20	14	17	14	6	27
Agree	51	60	50	61	59	50	33
Disagree	18	5	23	17	23	19	13
Disagree strongly	0	0	0	0	0	0	0
Not sure	15	15	13	4	5	25	27
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

15. Electronic data interchange automates the transmission of invoices, payments, and other business data between corporations and their suppliers. In the next few years, electronic data interchange will revolutionize the way companies do business with and pay each other.

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Agree strongly	7	10	5	4	5	13	7
Agree	41	40	41	39	32	44	53
Disagree	40	25	45	35	54	44	20
Disagree strongly	1	0	2	4	0	0	0
Not sure	12	25	7	17	9	0	20
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

16. How would you describe corporate customer interest in electronic data interchange?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Strong	0	0	0	0	0	0	0
Moderate	49	75	41	48	36	69	53
Weak	47	25	54	52	55	31	40
No interest	3	0	4	0	9	0	0
Don't know	1	0	2	0	0	0	7
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

17. Has your bank made a significant financial investment toward researching and developing an electronic data interchange capability?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Yes	26	55	16	35	9	44	20
No	30	30	48	48	46	31	47
No, but will within a year	43	15	36	17	0	25	33
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

18. In July, the U.S. Government began paying some of its bills by electronic transactions instead of checks. Dubbed Vendor Express, this program has the potential to replace some 77 million checks a year by 1990. Vendor Express will lead to the development of systems and standards that will smooth the way for widespread use of corporate EFT.

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Agree strongly	19	10	21	13	18	19	27
Agree	60	60	61	57	73	56	53
Disagree	13	20	11	22	5	13	13
Disagree strongly	0	0	0	0	0	0	0
Not sure	8	10	7	9	5	13	7
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

TECHNOLOGY TODAY

Profitability Is the Big Question In Evaluating Cash Management

Continued from Page 1

senior bank managers recognize that they have "a highly viable and potentially profitable group of products that is a source of continual, ongoing annuity-type income," he said.

This banker called cash management income the ideal offset for shrinking loan profits.

As foreign-bank competition, loan losses, and commercial paper continue to undercut interest profits, bankers have acknowledged the need to tap new sources of noninterest income. Many are looking to their cash management departments to fill the gap.

The *American Banker*'s third annual survey on cash management focused on profitability, as well as on emerging issues that can change the industry's future.

Questionnaires were mailed to the nation's 100 largest banks with cash management departments, and 76 banks responded. The respondents include 20 of the top 25 banks and 7 of the top 10. (Other results were published Monday and Tuesday. The full tabular results appear on page 18 today.)

68% Track Profits

Evidence that banks are trying to get a handle on costs and revenues comes from the survey finding that 68% have systems in place that track the profitability of individual cash management offerings, up slightly from 66% last year.

Among the top 25 banks, 95% track individual profitability — as was the case last year. For banks ranked 26 to 100, 59% track specific products, up from 55% last year.

While these banks track product revenue, trying to sell cash management services on a strict product-profitability basis can pose difficulties.

"Profitability came into play because of competition and a view that [cash

Profitability: Page 20

Profit Centers

Which cash management service generated the highest net profit over the past 12 months at your bank?

	Top 100 now	Top 100 1986	Top 25 now	Top 25 1986
Controlled disbursement	29%	23%	30%	9%
Wire transfer	22	21	15	18
Account reconciliation	16	20	25	23
Lockbox	12	12	10	6
Coporate checking	8	N/A	5	N/A
Zero balance account	4	6	5	15
Balance reporting	4	12	5	12
Other	4	7	5	17
Sample	**49**	**43**	**20**	**20**

Source: *American Banker* Survey

Is Ownership Worth the Cost?

Bankers consider ownership of balance-reporting systems to be a viable option for their cash management operations, according to an *American Banker* survey.

While most banks today do not own the computer systems that provide account balance information to their corporate customers, many would consider purchasing such a system over the next two years, the survey finds.

Balance-reporting systems are owned by 44% of the top 100 banks, while 56% use services such as Automatic Data Processing, GE Information Services Co., Bank-Link, and others to supply balance data.

But an overwhelming 88% of third-party users would consider purchasing their own systems over the next two years, the survey finds. Only 7% would not.

"Cost control is the real reason banks go in-house," says Stephen Holahan, a vice president at Connecticut National Bank, Hartford. "It also gives you more control over the products you offer as well as day-to-day reliability."

Connecticut National is now in the midst of transferring its cash management information and initiation services from an outside party to an in-house system.

The largest banks are more likely to own their balance-reporting systems, the survey finds: 75% of the top 25 already own these systems. Of those that do not, almost two-thirds will consider purchasing such a system over the next two years.

— **Yvette D. Kantrow**

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TECHNOLOGY TODAY

Customers want to pay one price for everything. That's somewhat at odds with the way we want to sell.

Profitability Is the Big Question In Evaluating Cash Management

Continued from Page 19

management products] are both commodity-oriented and part of a customer relationship," explained Charles Stebbens, a vice president at Chemical Bank.

"We at Chemical are arranged on a product basis and we have to identify profits for each product. But customers want to pay one price for everything. That's somewhat at odds with the way we want to sell."

The less-than-stellar performance of treasury workstations exemplifies what can happen when banks overemphasize product profitability, he adds. When marketing the workstations, banks sought to profit directly from the product's revenues rather than from the bank transactions the workstations enabled corporations to initiate.

"We are reevaluating from the customer-access side the type of electronic products we give to our customers," he said. "We are now looking to profit from the underlying transaction — not the product itself." The bank is preparing to sell more application-specific microcomputer-based products, Mr. Stebbens added.

Once again, bankers at the top 100 have identified the same three cash management services as the most profitable.

Controlled disbursement generated the highest net profits at 29% of the banks, wire transfer at 22%, and account reconciliation at 16%. In the past two surveys, the same services headed the most profitable list.

This year, the *American Banker* also asked how banks prefer to be compensated for cash management services — through fees, compensating balances, or a combination of the two. Fees may be preferred by banks because they are direct and easily measurable.

If interest rates are low, compensating balances — keeping noninterest-bearing funds on deposit at the bank providing the service — may be preferable because net compensation is greater than with fees. Generally, it is believed that balances provide more compensation for banks.

The survey results backed this up: 63% of the top 100 preferred compensating balances, while only 9% preferred fees; 25% picked a combination of the two.

Fees were slightly more popular at the top 25 than they were overall: 15% of this group preferred fees, but 70% preferred compensating balances. Another 15% chose a combination of the two.

Charges for Deposit Float

Banks that clear checks for corporate customers may soon be compensated for the large amounts of deposit float they can incur. Reserves must be set aside and federal deposit insurance fees must be paid for items in the process of collection. As was the case last year, 51% of the respondents agreed that in the next few years, banks will start charging their customers for deposit float. This year 16% strongly agreed, up from 6% last year.

The survey also found that few institutions have changed their formal accounting structures. Almost half of the top 100 still run their cash management departments as cost centers, which focus on tracing and accumulating expenses, but not direct revenues. Last year, 54% were structured this

Profitability: Page 21

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Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our annual cash management survey meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the survey to make it more useful? What would you add?

_____

_____

(2.) What did you like **best** about the survey?

_____

_____

(3.) What did you like **least** about the survey?

_____

_____

(4.) How do you use the survey in your work?

_____

_____

_____

_____

Name (optional)_____

Title_____

Company_____

Address_____

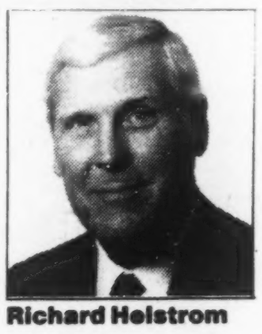
_____

Phone_____

EXECUTIVE CHANGES

Community Bank Elevates Helstrom

Richard Helstrom, corporate banking group administrator of **Community Bank,** Los Angeles, has been named executive vice president of the $1 billion-asset institution. Mr. Helstrom, founding president of the American Bank of Commerce (Las Vegas), was chief credit officer for the Oregon division of the Bank of California before joining Community Bank in 1985.



Richard Helstrom

BEACH FEDERAL SAVINGS & LOAN ASSOCIATION, Boynton Beach, Fla., has named **Lisa Williams** vice president and controller. **Susan Thomas** has been named vice president and treasurer.

CASS BANK & TRUST CO., St. Louis, has appointed **David C. Sorenson** vice president. His responsibilities include product management, marketing services, and data processing. He was vice president/group product manager.

CENTRUST SAVINGS BANK, Miami, has elected five new directors: **Lewis S. Ranieri,** independent investment banker; **Milton J. Wallace,** attorney, Wallace, Engels, Pertnoy and Martin; **Angel Cortina Jr.,** senior executive vice president and treasurer; **Walter D. Shealy 3d,** senior executive vice president-capital markets group; and **Alfred L. Teti,** senior executive vice president and chief operating officer-banking group.

CHASE BANK OF ARIZONA, Scottsdale, has named **Richard L. Vogel** vice president, commercial loans. **Michael T. Dillon** has joined the bank's commercial loan department as vice president, specializing in capital markets and investment banking. He was vice president and team leader for the Chase commercial sector in Los Angeles.

FIRST OF AMERICA BANK CORP., Kalamazoo, Mich., has named **Andrew D. Hiduke** as vice president-human resources. He was executive vice president of National Bancshares Corp., Austin, Tex., where his responsibilities included human resources.

HOGAN SYSTEMS INC., Dallas, has named its chief financial officer, **Richard C. Schwenk,** to the additional post of executive vice president. He is responsible for the company's financial, administrative, business management, and corporate counsel activities.

NORSTAR INVESTMENT ADVISORY SERVICES INC., Rochester, N.Y., a wholly owned subsidiary of Norstar Bancorp, Albany, said **Marshall Raucci Jr.,** has joined the company as vice president and marketing director.

TALMAN HOME INVESTMENT INC. Chicago, has named **Thomas Haracz** vice president of sales and marketing, insurance division. He was marketing sales manager for Allstate Insurance Co.

THE NATIONAL BANK & TRUST CO., Norwich, N.Y., said **John D. Roberts,** senior vice president, has been named to the additional post of group executive. His duties include supervision of administration and operations/data processing. He continues as head of the trust division. **James A. Hoy** was appointed senior vice president and group executive on Aug. 1, responsible for loans, branch administration, and marketing.

— **Franklin Smith**

Citicorp, Western Union Escalate War of the Wires

➳ **Continued from Page 6**

rassment, Citicorp said.

"By requiring that an independent outlet which wishes to offer Western Union's electronic message services must refrain from offering Citicorp's public money transfer service, Western Union is abusing its marketing power . . . to enhance and maintain its monopoly power in the public money transfer market," said the antitrust complaint.

The federal lawsuit filed in New Jersey does not specifically mention Citicorp's attempt to recruit Supermail, the largest Western Union money transfer agent in California, to act as a Citicorp agent.

On Oct. 30 Western Union obtained a restraining order from the U.S. District Court for the Northern District of California, San Francisco, preventing the defection of the Supermail agents. "We had a contract with Supermail, as we do with all of our agents, for the exclusive provision of our money transfer services," said Warren Bechtel, spokesman for Western Union. ■

Profitability . . .

➳ **Continued from Page 20**

way. For the top 25, 35% operated their departments as cost centers, as was the case last year.

Some banks organized as cost centers can track product profitability, however. "We manage our customer relationships in terms of customer profitability," explained Michael W. Paulette, a senior vice president at Sovran Bank in Richmond, Va.

"We can take that data and slice it to show individual products, and then we have a product profitability system. If relationship management is not paramount at your bank, I can see organizing into a profit center," he continued. "But the size we are, relationship management serves us well."

Only 16% of the top 100 banks run their cash management departments as profit centers, where direct profitability is a key goal and an important consideration in operating decisions. This is a slight decrease from last year's 17%.

Cash management profit centers are more popular at the top 25 banks: 40% of this group are structured as profit centers, up from 30% last year.

But one northeastern banker pointed out that this group does not necessarily do a better job tracking profitability. "Profit centers don't automatically imply that banks have a good handle on profitability," he said. "What you choose to call yourself just doesn't matter."

Another 35% of the top 100 banks do track their revenues and costs, but to a lesser degree than those set up as profit centers. These banks have organized their cash management departments into "shadow" profit centers — a hybrid category in which revenues and expenses are monitored, but only on a pro forma basis for illustrative purposes. Last year, 29% were organized this way. ■

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